

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY	)	
KENTUCKY, INC. TO IMPLEMENT A	)	
HEDGING PROGRAM TO MITIGATE PRICE	)	CASE NO. 2012-00180
VOLATILITY IN THE PROCUREMENT OF	)	
NATURAL GAS	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this Order. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke fails or

refuses to furnish all or part of the requested information, Duke shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

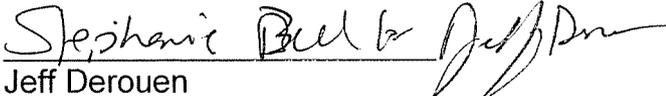
1. Duke states, on page five of its application, that it is seeking to institute another gas hedging plan “[s]imilar to what was approved by the Commission in previous cases . . . .” The proposed hedging plan for 2012 (“HP-2012”) appears identical in every respect to the plan Duke proposed in 2011, which was approved by the Commission for a period of one year.

a. Explain whether there are any differences between the 2011 plan and HP-2012.

b. Explain what changes or additions to its hedging products Duke considered. The explanation should specifically address whether it considered the use of measures such as call options to limit the risk of paying a higher fixed price for gas during a time of declining prices. If no alternatives to Duke’s current hedging program were considered, explain why.

2. Duke’s fixed price hedging products include cost-averaging. Describe the use of cost-averaging in more detail, including its relative advantage over traditional fixed-price contracts.

3. Duke's Annual Report on Hedging Activity, filed with the Commission on May 15, 2012, included summary pages entitled Hedging Program--Current Position for April 2011 through March 2012, with four years' hedging position details included each month (for example, pages 17 through 20 of 337 show Duke Kentucky's hedging position for November 2010 through October 2011; November 2011 through October 2012; November 2012 through October 2013; and November 2013 through October 2014, as of April 19, 2011). Explain the calculation of the prices in the row entitled Estimated EGC per Dth at City Gate, specifically whether this calculation includes the Embedded Hedge Cost calculated in the row above, and what purpose this information serves in Duke's monthly review of its hedging program.

  
Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

**JUN 27 2012**  
DATED: \_\_\_\_\_

cc: Parties of Record

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